

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 INR-07 NSAE-00 PM-04 NSC-05

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 7256

INFO SECDEF WASHDC

JCS WASHDC

CINCPAC HONOLULU

CINCPACAF

CINCPACFLT

CINCPACREPPHIL SUBIC

CG 13TH AF CLARK

S E C R E T MANILA 10023

CINCPAC ALSO FOR POLAD

FROM USDEL 105

E.O. 11652: GDS

TAGS: MARR, RP

SUBJECT: PHILIPPINE BASE NEGOTIATIONS: ARTICLE XIX

REF: MANILA 9916 (NOTAL)

1. DURING MORNING AND AFTERNOON SESSIONS OF CHAIRMEN'S WORKING GROUP, ROMALDEZ EXPLAINED TO SULLIVAN SUBSTANCE OF PHILIPPINE THINKING WITH RESPECT PHIL ARTICLE XIX, WHICH CONCERNS AND QUID TO BE ASSOCIATED WITH MILITARY BASES AGREEMENT. ROMUALDEZ CLAIMED HIS POSITION RESULTED FROM LENGTHY INTERNAL DISPUTE AT TOP LEVELS GOP, WHICH WAS EVENTUALLY RESOLVED BY PRESIDENT MARCOS.

2. ACCORDING TO ROMALDEZ VERSION, KEY GOP OFFICIALS,
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HEADED BY SECDEF ENRILE, WISHED HOLD OUT FOR "RENTAL"

OR "COMPENSATION." THEY WERE PREPARED CALL THIS MONEY "DEFENSE SUPPORT," BUT WISHED TO HAVE IT AS LUMP SUM CHAS PAYMENT, WITH NO STRINGS ATTACHED. ROMUALDEZ AND OTHERS INSISTED ON TURKISH FORMULA, AND PRESIDENT EVENTUALLY DECIDED IN THEIR FAVOR. HOWEVER, ENRILE REFUSED COME UP WITH REDRAFT OF ARTICLE XIX OR QUID FIGURE, STATING THAT WAS UP TO ROMUALDEZ TO PRODUCE. HE DID, HOWEVER, PROVIDE "MODERNIZATION PLAN" AS "JUSTIFICATION" FOR "DEFENSE SUPPORT." (FYI. WE BELIEVE THIS PLAN IS SPECIALLY CONCOCTED FOR BARGAINING PURPOSES AND THAT THE REAL PLAN, WHICH IS AMBITIOUS ENOUGH, IS ONE WHICH WE HOLD THROUGH NORMAL MAP ACTIVITIES. THE INFLATED PLAN IS PRESUMABLY DISIGNED TO DEMONSTRATE THAT ANY QUID, NO MATTER WHAT FIGURE IS USED, WILL BE NIGGARDLY IN COMPARISON WITH "LEGITIMATE" PHILIPPINE DEFENSE NEEDS. END FYI.)

3. ROMALDEZ THEN SAID HE WAS IN PROCESS REDRAFTING ARTICLE XIX ALONG LINES TURKISH ARTICLE XIX. HOWEVER, IN DEFERENCE TO ENRILE, HE INTENDED TO LEAVE OUT CLAUSE "IN ACCORDANCE WITH MUTUALLY AGREED PROGRAMS" AS FAR AS THE GRANT PORTION WAS CONCERNED. ENRILE WANTED TO BE ABLE TO DETERMINE HIS OWN ACQUISITIONS FROM U.S. WITH GRANT FUNDS. HE WOULD UNDERSTAND IF AN ITEM IS NOT AVAILABLE FOR EXPORT LICENSING, BUT DID NOT WANT JUSMAG TO SECOND-GUESS HIS GENERALS ON MATERIAL NEEDED FOR AFP.

4. ON CREDITS AND LOAN QUARANTEES, ROMALDEZ SAID IT WOULD BE UNDERSTOOD THAT U.S. AND PHILS WOULD HAVE TO AGREE ON ITEMS TO BE FINANCED AND TERMS TO BE APPLIED. HE ALSO LIKED TURKISH IDEA OF HAVING THE PROGRAM HEAVIER IN THE FIRST TRANCHES AND REDUCED IN SUBSEQUENT YEARS.

5. IN EXAMINING THE SPANISH AND TURKISH TEXTS, ROMUALDEZ NOTED THAT THE SPANISH QUID HAD BEEN INFLATED BY THE INTRODUCTION OF FUNDS FOR ECONOMIC PURPOSES, EXIM LOANS, CULTURAL EXCHANGES, AND THE LIKE. HE THOUGHT SUCH A CATALOGUE WOULD BE INAPPROPRIATE IN THE PHILIPPINE DRAFT, BUT INDICATED HE MIGHT WANT TO SPECIFY FUNDS FOR TRAINING OF PHILIPPINE OFFICERS IN HIGHER TECHNICAL AND MANAGEMENT SKILLS. ESSENTIALLY, HE EXPECTED TO FOLLOW THE TURKISH
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MODEL, AND WOULD LIMIT "DEFENSE SUPPORT" TO ITEMS OF A MILITARY NATURE.

6. AS FAR AS FIGURES ARE CONCERNED, ROMUALDEZ SAID IT WAS OBVIOUS FROM PHIL MODERNIZATION PLAN THAT ALMOST ANY FIGURE COULD BE USED. HE SAID PHILS HAD NO RPT NO INTENTION OF ASKING U.S. TO FINANCE ENTIRE PLAN, BUT WISHED TO KNOW HOW MUCH CONTRIBUTION U.S. WOULD BE PREPARED MAKE TO IT. HE

THEN ASKED (HE ALREADY KNEW THE ANSWER) WHAT WAS THE GRANT COMPONENT OF THE SPANISH QUID AND OF THE TURKISH QUID. HE MERELY NODDED, WHEN GIVEN THE FIGURES.

7. COMMENT: IN TYPICALLY EXASPERATING PHILIPPINE WAY, THEY ARE ATTEMPTING TO LEAVE THE HAGGLING OVER MONEY ENTIRELY UP TO U.S. WE CAN EITHER SIT TIGHT AND DEMAND THAT THEY COME UP WITH A FIGURE OR WE CAN IGNORE THE ADOLESCENT ASPECTS OF THEIR APPROACH AND PROVIDE SOME FIGURES OF OUR OWN. IF WE FOLLOW THE FORMER COURSE, WE CAN EXPECT THEM TO FIX AN EXORBITANT SUM AND REQUIRE US TO WHITTLE IT DOWN PAINFULLY TO THEIR BOTTOM LINE, WHICH IS ESSENTIALLY THE TURKISH FIGURE. IF WE FOLLOW THE LATTER COURSE WE CAN PROVIDE A FIGURE SOMEWHAT LOWER THAN WE ARE PREPARED TO PROVIDE AND LET THEM WORK US UPWARD. IN THE LATTER CASE, THE BURDEN OF MOVEMENT WOULD FALL ON THEM, AND WE CAN EXACT CONCESSIONS IN OTHER AREAS OF THE AGREEMENT FOR ANY UPWARD MOVEMENT TO OUR FINAL FIGURE. USDEL THEREFORE PREFERS THE LATTER TACTIC.

8. ACTION REQUESTED: REQUEST USDEL BE AUTHORIZED TO TABLE A FIGURE FOR THE QUID TO BE APPLIED IN "DEFENSE SUPPORT" AFTER RPT AFTER WE HAVE RECEIVED PHIL REDRAFT OF ARTICLE XIX. OUR RECOMMENDED FIGURE FOR OPENERS WOULD BE BASED ON GRANT ASPECTS OF SPANISH TREATY. WE WOULD THEREFORE PROPOSE \$34 MILLION IN GRANT FUNDS, TO BE MATCHED BY \$34 MILLION IN CREDITS AND GUARANTEED LOANS ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD. WE RECOMMEND THAT WASHINGTON DEPARTMENTS OBTAIN PRESIDENTIAL AUTHORIZATION TO GO AS HIGH AS \$50 MILLION IN GRANTS AND \$50 MILLION IN CREDITS AND GUARANTEED LOANS ON AN ANNUAL AVERAGE OVER A FIVE YEAR PERIOD. WE BELIEVE THE \$34 MILLION GRANT BAIT IS THE RIGHT FIGURE TO CONVINCE PHILS OF THE SERIOUS

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PROSPECTS OF A GOOD AGREEMENT. WE FURTHER BELIEVE THAT THE \$16 MILLION GRANT SPREAD OUGHT TO BE ENOUGH TO PERSUADE THEM TO FALL OFF THEIR MORE STRINGENT APPLICATIONS OF "SOVEREIGNTY" IN ORDER TO OBTAIN A WORKABLE AGREEMENT. REQUEST WASHINGTON REACTIONS SOONEST.
SULLIVAN

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